

**Wai'ola O Molokai  
Molokai Public Utilities Inc  
Mosco Inc  
745 Fort St #600  
Honolulu, HI 96813**

August 7, 2008

The Honorable Chairman and Members of the  
Hawaii Public Utilities Commission  
465 South King Street  
Kekuaanaoa Building, Room 103  
Honolulu, HI 96813  
Attention: Stacey Kawasaki Djou, Esq.  
Ms. Karen Higashi

FILED  
2008 AUG -7 P 3:41  
PUBLIC UTILITIES  
COMMISSION

RE: Docket No. 2008-0115 - Order Instituting a Proceeding to Provide Temporary Rate Relief to Molokai Public Utilities, Inc., Wai'ola O Moloka'i, Inc., and Mosco, Inc.

Dear Chairman Caliboso and Members of the Commission;

Thank you for the opportunity to respond to the information provided at the PUC hearing on this matter. We have analyzed the information presented in the PUC PowerPoint presentation and the Commissions suggested rate increase and have the following comments.

With regard to the information presented, we note as follows:

**1. Wai'ola O Molokai**

- a. The PUC utilized information filed by Waiola for Calendar Year 2007 which does not give a true picture of the current losses or the rate necessary to break-even. MPL has provided information for Fiscal Year 2007-2008. This information is accurate as it takes into account the significant increase in costs of energy and consumable supplies that has occurred over the past 6 months.
- b. In addition, FY 2007-2008 information reflects the decrease in water usage that has occurred as a result of a curtailment of Molokai Ranch activities and a general decrease in water usage that has been occurring in the service area.

- c. The PUC PowerPoint information assumes a usage of 72,850 gallons. This does not reconcile with our records and could be inaccurate under current circumstances.
- d. We re-emphasize that we believe the break-even rate, not taking into account energy cost increase in the past weeks, as per our submissions to the PUC on June 23<sup>rd</sup> and 25<sup>th</sup> 2008, is \$5.15 per 1000 gals supply.

We would refer you to information submitted with our letters of June 23, 2008 and June 25, 2008 for a complete analysis.

## **2. Molokai Public Utilities:**

- a. It should be noted that the PUC analysis does not contain an amount for "purchased water". MPU expended \$258,534 in Calendar year 2007 on purchasing water to service some of its customers. If this number is included in the PUC analysis the rate would be more properly set at \$5.61 per 100 gallons (see attached MPU Comparative Service Rate Analysis).

Even if this number is included, the Fiscal Year 2007 Analysis is inadequate. As we stated in our submissions to you, a rate of \$6.04 will enable this utility to break-even.

As with Waiola, when the Fiscal Year analysis provided in our earlier submissions is used the significant increases in energy and material costs and the decrease in usage that are currently being suffered by MPU will dramatically increase the rate needed to break-even. The "stale" 2007 Calendar year analysis does not reflect what is currently occurring with our and other utility costs. The 6 month period from January 1, 2008 to June 30, 2008 was when the most significant energy cost increases occurred and must be used to calculate the rate increase.

- b. The PUC analysis also assumes 228,500 gallon usage. This figure does not reconcile with our records and could be inaccurate under current circumstances.

Again, we would refer you to information submitted with our letters of June 23, 2008 and June 25, 2008 for a complete analysis. The use of outdated information in a period of great inflation in energy costs is almost certain to result in a situation where the temporary rates are insufficient immediately upon approval or very shortly thereafter.

- 3. With regard to Mosco, we re-iterate that so long as Waiola and MPU are in operation the efficiencies enjoyed by Mosco with shared employees and equipment will result in the PUC proposed rate being sufficient to cover expenses. If and when Mosco has to operate as a stand-alone entity, the costs of operation will significantly increase and the noted higher rate will be required.

As set forth in our prior submittals to the PUC, some provision by way of energy surcharge must be made for expected increase in energy costs. Without the ability to adjust for increases in this area any rate increase may well become outdated and insufficient within as short a time frame as two weeks, even if the most current financial information is used.

There is also concern over unforeseen capital expenses to maintain and operate the system. We recommend that the temporary rates include an allowance for repairs and replacement of capital items. If some unforeseen malfunction should occur, there is currently no mechanism in place to re-coup the costs

Very Truly Yours;

A handwritten signature in black ink, appearing to read 'Peter A. Nicholas', with a stylized, cursive script.

Peter A. Nicholas  
Director

cc: Brian T. Moto & Jane E. Lovell  
Department of Corporation Counsel, County of Maui  
Katherine P Awakuni, Executive Director  
DCCA, Division of Consumer Advocacy